

**Introduced by Senators Florez, Karnette, Murray, Perata, Scott,
Soto, and Torlakson**

February 12, 2004

An act to amend Section 2985.8 of the Civil Code, relating to vehicle contracts.

LEGISLATIVE COUNSEL'S DIGEST

SB 1233, as introduced, Committee on Transportation. Vehicle contracts: lease agreements.

Existing law requires every lease contract for a motor vehicle to contain specified disclosures, including a disclosure that enumerates the capitalized cost of specified items.

This bill would make technical changes to these provisions.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 2985.8 of the Civil Code is amended to
2 read:
3 2985.8. (a) Every lease contract shall be in writing and the
4 print portion of the contract shall be printed in at least 8-point type
5 and shall contain in a single document all of the agreements of the
6 lessor and lessee with respect to the obligations of each party.
7 (b) At the top of the lease contract, a title which contains the
8 words "LEASE CONTRACT" or "LEASE AGREEMENT"
9 shall appear in at least 12-point bold type.
10 (c) Every lease contract shall disclose all of the following:

1 (1) All of the information prescribed by Regulation M set forth
2 in the manner required or permitted by Regulation M, whether or
3 not Regulation M applies to the transaction.

4 (2) A separate statement labeled “Itemization of Gross
5 Capitalized Cost” that shall appear immediately following or
6 directly adjacent to the disclosures required to be segregated by
7 Regulation M. The Itemization of Gross Capitalized Cost shall
8 include all of the following and shall be circumscribed by a line:

9 (A) The agreed-upon value of the vehicle as equipped at the
10 time of signing the lease.

11 (B) The agreed-upon value and a description of each accessory
12 and item of optional equipment the lessor agrees to add to the
13 vehicle after signing the lease.

14 (C) The premium for each policy of insurance.

15 (D) The amount charged for each service contract.

16 (E) Any charge for an optional debt cancellation agreement.

17 (F) Any outstanding prior credit or lease balance.

18 ~~(H)~~

19 (G) An itemization by type and agreed-upon value of each
20 good or service included in the gross capitalized cost other than
21 those items included in the disclosures required in subparagraphs
22 (A) to ~~(G)~~ (F), inclusive.

23 (3) The vehicle identification number of the leased vehicle.

24 (4) A brief description of each vehicle or other property being
25 traded in and the agreed-upon value thereof if the amount due at
26 the time of signing the lease or upon delivery is paid in whole or
27 in part with a net trade-in allowance or the “Itemization of Gross
28 Capitalized Cost” includes any portion of the outstanding prior
29 credit or lease balance from the trade-in property.

30 (5) The fee, if any, to be retained by the lessor for document
31 preparation, which fee may not exceed forty-five dollars (\$45) and
32 may not be represented as a governmental fee.

33 (6) The amount of any optional business partnership
34 automation program fee to register or transfer the vehicle, which
35 shall be labeled “Optional DMV Electronic Filing Fee.”

36 (d) Every lease contract shall contain, in at least 8-point bold
37 type, above the space provided for the lessee’s signature and
38 circumscribed by a line, the following notice: “(1) Do not sign this
39 lease before you read it or if it contains any blank spaces to be filled
40 in; (2) You are entitled to a completely filled in copy of this lease;



1 (3) Warning—Unless a charge is included in this lease for public
2 liability or property damage insurance, payment for that coverage
3 is not provided by this lease.”

4 (e) Every lease contract shall contain, in at least 8-point bold
5 type, on the first page of the contract and circumscribed by a line,
6 the following notice:

7
8 “THERE IS NO COOLING OFF PERIOD
9

10 California law does not provide for a “cooling off” or other
11 cancellation period for vehicle leases. Therefore, you cannot later
12 cancel this lease simply because you change your mind, decided
13 the vehicle costs too much, or wish you had acquired a different
14 vehicle. You may cancel this lease only with the agreement of the
15 lessor or for legal cause, such as fraud.”

16
17 (f) Every lease contract shall contain, in at least 8-point bold
18 type, the following notice: “You have the right to return the
19 vehicle, and receive a refund of any payments made if the credit
20 application is not approved, unless nonapproval results from an
21 incomplete application or from incorrect information provided by
22 you.”

23 (g) The lease contract shall be signed by the lessor and lessee,
24 or their authorized representatives, and an exact copy of the fully
25 executed lease contract shall be provided to the lessee at the time
26 of signing.

27 (h) No motor vehicle shall be delivered under a lease contract
28 subject to this chapter until the lessor provides to the lessee a fully
29 executed copy of the lease contract.

30 (i) The lessor may not obtain the signature of the lessee to a
31 contract when it contains blank spaces to be filled in after it has
32 been signed.

33 (j) If the lease contract contains a provision that holds the lessee
34 liable for the difference between (1) the adjusted capitalized cost
35 disclosed in the lease contract reduced by the amounts described
36 in subparagraph (A) of paragraph (5) of subdivision (b) of Section
37 2987 and (2) the settlement proceeds of the lessee’s required
38 insurance and deductible in the event of theft or damage to the
39 vehicle that results in a total loss, the lease contract shall contain

1 the following notice in at least eight-point boldface type on the first
2 page of the contract:

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4

“GAP LIABILITY NOTICE

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6 In the event of theft or damage to the vehicle that results in a total
7 loss, there may be a GAP between the amount due upon early
8 termination and the proceeds of your insurance settlement and
9 deductible. THIS LEASE PROVIDES THAT YOU ARE
10 LIABLE FOR THE GAP AMOUNT. Optional coverage for the
11 GAP amount may be offered for an additional price.”

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